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From: mmcgrath@acegroup.cc
Sent: Tuesday, October 05, 2004 5:11 PM
To: FarmBillRules
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Subject: Comments on CSP Interim Final Rule
Attachments: ATTACHMENT.TXT; Blank Bkgrd.gif; Mn Project CSP Interim Final Rule Comments, Final sent, October 5, 2004.doc

Please find attached to this email the comments of the Minnesota Project on the Conservation Security Program Interim Final Rule.

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The Minnesota Project

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Strong Local Economies, Vibrant Communities, and a Healthy Environment
Connecting People with Policy for a Sustainable Future

October 5, 2004

Financial Assistance Programs Division
Natural Resources Conservation Service
P.O. Box 2890
Washington, DC 20013-2890

Attn: Conservation Security Program, Chief Bruce Knight

Email to: FarmBillRules@USDA.gov

Dear Chief Knight,

Please find below our comments on rules for the Conservation Security Program as published in the Federal Register by the Natural Resources Conservation Service (NRCS) on June 21, 2004.

The Minnesota Project, based in St. Paul, Minnesota, is a nonprofit organization focusing on agriculture, energy, and conservation, as well as other issues affecting quality of life in rural and urban America. We have been active in shaping CSP from the very beginning, building support for the legislation and its repeated funding decisions, and educating farmers and the public about the opportunities of CSP. We work closely with the Sustainable Agriculture Coalition and the National Campaign for Sustainable Agriculture, and would like to affiliate ourselves with their comments, as well as our own included here.

The Minnesota Project is disappointed that the NRCS chose to ignore the important comments submitted by thousands of stakeholders on the draft rules for CSP issued in January, and went forward with an Interim Final Rule that imposed significant eligibility restrictions for application to the program in its first year of implementation.

However, we are pleased that the NRCS has finally launched CSP, and we were extremely involved in the Blue Earth Watershed enrollment, which gave us the experiences which now inform the following comments which we offer on the proposed Interim Final Rule.

I. Payment Limitations

- Use Continuous Sign-Ups: The Minnesota Project is opposed to limited signup

periods. We believe the Conservation Security Program should have a continuous enrollment so that farmers, ranchers, and resource professionals can be continually learning about the program eligibility requirements, options, innovations, and incentives. Eventually, it will be better for balancing NRCS staffing resources to spread out the workload rather than to have hectic, short signup periods where farmers and staff feel they must act before the deadline, even if they have not yet worked out the best conservation security plan for the farm. We understand significantly increased funding is necessary to carry out continuous signup.

- Priority Watersheds: The Minnesota Project is likewise opposed to the NRCS proposal to limit the participation to priority watersheds. We believe that rotating the program through priority watersheds actually restricts the momentum that CSP needs to gain in order to become the new way that conservation is implemented. Farmers and government conservation professionals will lack training, experiential knowledge and familiarity with the program and its proposed ongoing changes unless they are continually involved with updates, applications, and CSP contract development. Offering the program to only “priority watersheds” requires all stakeholders—farmers and NRCS, SWCD, as well as private TSPs—to ramp up very quickly to meet signup closing deadlines, and without the benefit of having been involved with program implementation gradually. Further, their new-found experience and training then goes to waste as they wait for their watershed to come up again in eight or more years. Even worse, farmers who are not ready to enroll or who do not find out about their options in time face an eight-year or longer delay in being eligible again. CSP will lose its necessary political support from farmers if they only hear about it once in eight years. Their Representatives and Senators may lose interest even more quickly.
- Watershed Approach to Implementation: While the Minnesota Project is opposed to participation in only “priority watersheds,” we applaud the NRCS for its recognition of the relationship of CSP to watersheds. We support conservation planning, evaluation, monitoring, and education on the watershed scale and recognize the importance of the NRCS in taking the lead in proposing that farmers and resource professionals address the importance of resource protection on the watershed scale. A huge opportunity to strengthen support and participation in CSP lies in the local watershed organizations all over this country that are planning for conservation needs and waiting for an incentives program that will accomplish their watershed goals. Unfortunately, the very short notice of the first signup virtually eliminated participation of watershed organizations. Their knowledge about needs, conservation practices that should be cost-shared, and practices that should receive enhancement payments for their real local needs was simply side-stepped in the short sign-up. If signup was continuous and if all watersheds were eligible, these watershed groups could add significant value to the CSP effort.

- Enrollment Categories: We are opposed to the use of enrollment categories because they are not necessary under a continuous, open enrollment process. Indeed, they were simply ignored in this first signup. Additionally, the statute requires that the CSP be open to all farmers and ranchers, not just those who are practicing the very best conservation. The Minnesota Project has always believed that the intent of the CSP is not only to reward those who are doing a good job already, but to also be the vehicle in which farmers who are not practicing conservation can get in at the basic entry level, increase conservation through incentives, and eventually attain the highest Tier III level. While we recognize that funding limitations on CSP implementation in FY2004 required the NRCS to establish enrollment categories, we do not want to see enrollment categories as part of the CSP Final Rule. Strict performance standards and quality criteria will be a sufficient “brake” on enrollment to keep it matched to funding available.
- Contract Payment Cap: The Interim Final Rule contains a CSP contract payment limitation of 15, 25, and 40 percent of the average, pre-reduction factor rental rate. We are opposed to this payment cap because it unfairly restricts a farmer’s chances of reaching the statutory tier payment limits. Similar caps do not exist in the commodity programs, and because they don’t, the CSP will not be able to compete with the commodity incentives that pay greater per-acre payments than CSP, thereby providing disincentives for diversifying cropping systems to provide greater conservation benefits. In particular it discriminates against those with low rental rates – pasture and rangelands are artificially capped at a low level. It also discriminates against small farms – their contract payment cap will remain low even if they can do excellent conservation. Obviously a small farm with low rental rates will receive double discrimination. We can see no policy justification for this contract payment cap.
- Stewardship Payment Reduction Factor: The Minnesota Project is pleased that the NRCS chose to change the reduction factor for Stewardship payments from .10 to .25, .50, and .75 for tiers one through three, respectively. However, for the Final Rule we would like to see the reduction factor removed altogether. It is a conceptual barrier for farmers who are used to commodity subsidies and CRP to see a token per acre payment that isn’t worth their time. As long as we keep the high environmental standards now in the law and the rules, we should pay farmers a reasonable stewardship payment.
- Limit on number and type of new and existing practice payments: We believe that the entire FOTG-approved range of practices should be eligible for both new and existing practice payments. Short of that, we recommend that local watershed organizations, the SWCDs, and the State Technical Committee be able to decide which practices to promote for each district or watershed. Second, we are concerned about using an arbitrary percentage amount of the stewardship payment as a method for paying for existing practices. Some practices require more

maintenance costs than other practices. The Minnesota Project believes the existing practice payments should mirror the actual costs of maintaining the practices that are already in place at the time of CSP enrollment. Third, we are opposed to the \$10,000 limit per contract on new cost-share payments. It is a ridiculously low amount and will discourage many who need to invest in new practices.

II. Minimum stewardship eligibility requirements

- Soil and Water Quality Criteria Requirements: The Minnesota Project believes that requiring farmers to have already met soil and water quality criteria two years prior to application severely restricts the number of farmers who will be eligible for CSP. Indeed, the Blue Earth Watershed experience uncovered massive ignorance, distrust, or outright flouting of nutrient management standards. For those farmers, CSP was a negative experience, since they were turned away for something they did in the past, and their motivation to rectify the problem was small since CSP is off the table for eight or more years until their watershed comes up again. We recommend allowing farmers to achieve quality criteria for soil and water in the first year or two of enrollment at the Tier I level. Farmers need to be able to understand what is required to get to QC and the types of practices and costs that are associated with achieving this level. Farmers who enroll in Tier I should be required to achieve QC within two years and receive CSP cost-share and stewardship payments while doing so. This should only be allowed on 10-year contracts that have a CSP plan that details how a producer will achieve QC in two years, and then increase conservation to a level that qualifies the farm for Tier II by the fifth year.

An alternative to this would be to allow the farmer who has not met QC for soil and water, but is willing to work towards a Tier II or III level, to apply for CSP and receive a priority three-year EQIP contract to bring the farm to QC. At the end of the third year, with QC met, the CSP payments could begin. This alternative assumes nationwide open enrollment for CSP; otherwise, the farmer could be waiting up to five more years after the EQIP contract expires for his watershed to be eligible. This should apply to 10-year contracts only—the greater the commitment the more you get your goals streamlined through use of compatible programs and CSP.

- Diversity Index for Crop Rotations: In addition to the Soil Conditioning Index used in the first CSP signup, a Diversity Index for Crop Rotations is needed. Diversifying crop rotations reduces dependence on external synthetic fertilizers, pesticides and herbicides. This reduced dependence provides energy savings, stabilizes nutrient cycling, and improves soil health and water quality, which are all stated as the major CSP goals. The Minnesota Project supports including a DICR as an enhancement activity. It is imperative that the USDA promote diverse cropping systems for the long-term economic and ecological health of

American agriculture, as well as to broaden the agricultural knowledge base of diverse crop production systems. It is understood that only a regional DICR is available and a DICR has not been developed for the entire nation. The Minnesota Project suggests that the NRCS commit resources towards developing a DICR that can be utilized for American agriculture.

III. Contracts and General Concerns

- New Practice Cost Share: The statute for CSP states that the USDA can pay up to 75 percent cost-share (90 percent for beginning farmers) assistance on new practices. We recommend the CSP Final Rule and all subsequent CSP signups should include cost-share rates at 75 and 90 percent, not the 50 percent rate used in the first CSP signup. Additionally, cost share should be available for all conservation practices that are listed in the FOTG, giving farmers the greatest flexibility in choosing which practices they will incorporate into their CSP plans.
- Statutory contract renewal options: The statute clearly states that CSP contracts may be renewed if the farmer is in compliance with an existing CSP contract. The Final Rule should state this.
- Enhancement payment list expansion: The Minnesota Project is pleased that the Enhancement payment list for the first signup includes management activities that promote conservation. This list needs to also include practices and activities specifically stated in the statute, such as Resource Conserving Crop Rotations, Rotational Grazing, and Conservation Buffers, as well as activities related to on-farm research, demonstrations, and control of invasive species on the entire operation.
- Rental Agreements: The Minnesota Project understands that requiring rental agreements from the landlord for the full length of the 5-10 year CSP contract provides a level of reassurance to the USDA that the CSP obligations of the operator can be fulfilled. And the Minnesota Projects understands that that is the ideal contractual circumstance. But our experience in the Blue Earth watershed taught everyone that the farming reality presents significant problems due to:
 - Significant acreage (estimated in the range of 50-70% in some parts of the Midwest) that is rented cropland under year-to-year contracts,
 - The relatively uncertainty of agriculture for a period of 5 to 10 years,
 - Limited knowledge of CSP benefits by current landlords,
 - The lack of any such long-term contractual requirements to enroll in the Farm Bill's commodity provisions,
 - The necessity to enroll rented acreage to achieve the nation's clean water goals.

The Minnesota Project suggests that CSP contracts for Tier I and Tier II allow land for which operators can only produce year-to-year contracts. This can be

accomplished by utilizing the same year-to-year agreement system that is used by Farm Service Agency to verify commodity payments. Since Tier I and Tier II contracts focus only on working crop and grazing fields and are paid an incentive for soil and water quality benefits for those fields, the USDA (and taxpayers) will be receiving benefits not exceeding program costs. Since Tier III contracts reward producers for conservation implemented on additional non-cropland areas and, in essence, reward those producers by higher payment rates on cropland as well, it is justified to limit those Tier III contracts to those with rental agreements or letters of landlord support that are the same length or longer as the CSP contract. This accomplishes the following:

- Makes a significant portion of cropland eligible for CSP.
- Provides an incentive to seek long-term contracts but does not severely penalize those who do not.
- Provides a more realistic approach to what is actually occurring in agriculture.
- Provides an avenue for farmers that rent land to enroll in CSP without requesting undue commitment by landlords, in fact, it parallels the process that is currently required by USDA commodity programs.
- Reflects that this program is for operators and not for landlords.
- Does not result in any further risk by the USDA (and taxpayers) that a payment will be made that does not represent current or future benefits expected.

IV. Additional Comments

- Enhancement-Energy Management: The Minnesota Project strongly supports CSP enhancement payments for on-farm energy management that promotes the use of energy that provides net environmental benefits, and with a focus on application to the highest sustainable use. New energy generation should be evaluated for its impact on water, soil and air quality, wildlife and farm diversity. Any new renewable energy projects should be evaluated based on their net energy balance; more energy should be released than is consumed during the production of the energy source. Lastly, but most importantly, on-farm energy efficiency and energy conservation should be the highest priority for efficiently reducing current energy consumption and generation from non-renewable energy sources. Energy conservation and energy efficiency are also the cheapest, quickest and most efficient sources of new energy.
- National Organic Program: The Minnesota Project is pleased that the NRCS is "generating a crosswalk between the regulatory NOP practices and the NRCS FOTG practices." The CSP is a program that can benefit organic growers, but because of their traditional lack of involvement in federal conservation programs organic growers are all too often unaware of the differences between organic agriculture and conservation agriculture. We

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look forward to the NRCS “clear mechanism for coordinating participation in the NOP and CSP,” that the Final Rule preamble will contain.

- Self-Assessment: We support the farmer self-assessment as a first step in the CSP process. Our experience in Blue Earth Watershed is that farmers did not mind doing the initial benchmarking and eligibility screening for CSP. However, most needed help from small group or one-on-one assistance. It is a good way to take some of the staff burden off, but it must be accompanied by some handholding to make it work. The process and the short signup time seem to have left out a critical space for farmers to develop a forward-looking conservation security plan. They might select from a list of new practices or enhancements. But there should be provision for completing a conservation plan, especially for tier 3, where additional resource concerns are covered and farmers and their technical service providers consider and plan for the maximum conservation benefits on their farms.

We thank you for the opportunity to submit our comments on the Interim Final Rule for the Conservation Security Program. The Minnesota Project strongly supports the Conservation Security Program, and we look forward to the publication of a CSP Final Rule that addresses the concerns that we have described in these comments.

Sincerely,

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